ST Engineering

News Release

Details on how the business of the Sector is managed and its related performance are set out below. This information is given on a voluntary basis and from the perspective of the Sector management, as its disclosure is not required by law or regulation.

Land Systems

"FY2016 profits impacted by JHK impairment and closure costs"

FINANCIAL HIGHLIGHTS For the year ended 31 December 2016			
	2016 FY	**2015 FY**	**Growth %**
Revenue ($m)	1,312	1,401	(6)
Earnings before interest and tax (EBIT) ($m)	(11.2)	47.2	(124)
Other income, net ($m)	23.4	11.6	102
Finance costs, net ($m)	(4.9)	(10.4)	52
Profit before tax (PBT) ($m)	22.2	65.0	(66)
Profit attributable to shareholders ($m)	12.7	55.7	(77)
Economic value added (EVA) ($m)	(53.1)	10.7	<-500

"FY2016 revenue was lower compared to FY2015 due to divestment of GJK. Lower PBT in FY2016 was mainly due to JHK impairment and closure cost.

In 2017, we will pursue key programmes and continue to strengthen our engineering capability. We will continue to penetrate new markets through partnerships, pursue new customers and venture into new growth areas."

Ravinder Singh, President

N.B.: All currencies are in Singapore dollars.

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Land Systems sector audited results for the year ended 31 December 2016

		FY2016 $'000	FY2015 $'000	+ / (-) %
1.	(a) **Revenue**	**1,311,954**	**1,401,019**	**(6.4)**
	(b) Cost of sales	(1,090,697)	(1,133,748)	(3.8)
	(c) **Gross Profit**	**221,257**	**267,271**	**(17.2)**
	(d) Distribution and selling expenses	(57,164)	(64,989)	(12.0)
	(e) Administrative expenses	(98,126)	(111,260)	(11.8)
	(f) Other operating expenses	(77,167)	(43,833)	76.0
	(g) **(Loss)/Profit from operations**	**(11,200)**	**47,189**	**(123.7)**
	(h) Other income	25,101	13,239	89.6
	(i) Other expenses	(1,675)	(1,645)	1.8
	(j) Other income, net	23,426	11,594	102.1
	(k) Finance income	2,251	2,880	(21.8)
	(l) Finance costs	(7,199)	(13,252)	(45.7)
	(m) Finance costs, net	(4,948)	(10,372)	(52.3)
	(n) Share of results of associates and joint ventures, net of tax	14,896	16,590	(10.2)
	(o) **Profit before taxation**	**22,174**	**65,001**	**(65.9)**
	(p) Taxation	(18,015)	(14,395)	25.1
	(q) **Profit for the year**	**4,159**	**50,606**	**(91.8)**
	Attributable to:			
	(r) **Shareholders of the Company**	**12,693**	**55,736**	**(77.2)**
	(s) Non-controlling interests	(8,534)	(5,130)	66.4
		4,159	**50,606**	**(91.8)**
2.	(a) (Loss)/Profit from operations is arrived at after charging/(crediting) the following:			
	Depreciation and amortisation	38,720	38,981	(0.7)
	Allowance for doubtful debts & bad debts written off, net	15,873	9,535	66.5
	Allowance for inventory obsolescence, net	14,059	19,385	(27.5)
	Impairment losses of intangible assets	9,322	4,942	88.6
	Impairment losses of property, plant and equipment	28,170	-	NM
	Impairment losses of other receivables	2,637	-	NM
	(b) Finance costs, net comprises:			
	Interest income	1,522	2,586	(41.1)
	Foreign exchange gain/(loss), net	325	(2,682)	(112.1)
	Fair value changes of financial instruments / hedged items	199	180	10.6
	Gain on disposal of investments	3	-	NM
	Interest expenses	(6,997)	(10,456)	(33.1)
		(4,948)	(10,372)	(52.3)

* NM - Not Meaningful

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		FY2016 $'000	FY2015 $'000	+ / (-) %
3.	(a) Profit for the period [1(q) above] as a percentage of revenue	0.3%	3.6%	
	(b) Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of period	3.0%	15.1%	

		FY2016 $'000	FY2015 $'000	+ / (-) %
4.	(a) Revenue reported for first half year	569,996	665,709	(14.4)
	(b) Profit for the period reported for first half year	28,979	24,019	20.7
	(c) Revenue reported for second half year	741,958	735,310	0.9
	(d) (Loss)/Profit for the period reported for second half year	(24,820)	26,587	(193.4)

5. (a) There was an over-provision of current tax of $6,822,000 and deferred tax of $529,000 in respect of prior years. (FY2015: There was an over-provision of current tax of $1,595,000 and deferred tax of $951,000 in respect of prior years).

(b) There was no disposal of property during the year.

6. Business Group Information

By Business Group

	Revenue			Profit before Taxation		
	FY2016 $'000	FY2015 $'000	+ / (-) %	FY2016 $'000	FY2015 $'000	+ / (-) %
Full Year Ended 31 December						
Automotive	1,011,055	1,136,081	(11.0)	(41,535)	9,019	<-500
Munitions & Weapon	222,213	199,188	11.6	30,334	26,134	16.1
Services, Trading & Others	78,686	65,750	19.7	33,375	29,848	11.8
Total	1,311,954	1,401,019	(6.4)	22,174	65,001	(65.9)

	Revenue		
	FY2016 $'000	FY2015 $'000	
By Geographical Areas			
Asia	805,804	1,018,169	(20.9)
USA	406,580	297,948	36.5
Europe	6,743	17,615	(61.7)
Others	92,827	67,287	38.0
Total	1,311,954	1,401,019	(6.4)

By Country of Incorporation

Asia	929,547	1,068,195	(13.0)
USA	361,193	315,074	14.6
Europe	-	-	-
Others	21,214	17,750	19.5
Total	1,311,954	1,401,019	(6.4)

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7. Review of Performance

(a) Revenue

FY2016 vs FY2015

FY2016	FY2015	Growth	
$1,312m	$1,401m	($89m)	(6%)

FY2016 revenue compared to FY2015 decreased by 6% or $89 million to $1,312 million. This was due mainly to lower revenue from **Automotive (Auto)** business group, partially offset by higher revenue from **Munitions & Weapon (M&W)** and **Services, Trading and Others (S&T)** business groups. **Auto** business group's revenue was impacted by divestment of subsidiary, Guizhou Jonyang Kinetics (GJK) and cessation of production of Jiangsu Huatong Kinetics and Jiangsu Huaran Kinetics (JHK).

(b) Profitability

FY2016 vs FY2015

FY2016	FY2015	Growth	
$22.2m	$65.0m	($42.8m)	(66%)

FY2016 profit before tax (PBT) of $22.2 million was lower than FY2015 PBT by 66% or $42.8 million. PBT for the **Auto** business group was impacted by JHK impairment and closure costs totalling $65.1 million, partially offset by gain of $10.4 million on divestment of GJK. The **M&W** and **S&T** business groups had higher profits mainly from higher revenue and lower operating expenses.

8. Prospects

FY2017

Barring unforeseen circumstances, FY2017 revenue is expected to be comparable to FY2016, while profit before tax is expected to be higher.

9. Balance Sheet

	31-Dec-16 $'000	**31-Dec-15** $'000
Property, plant and equipment	297,172	354,677
Associates and joint ventures	126,737	121,781
Investments	86	189
Intangible assets	200,881	208,201
Finance lease receivables, non-current	-	523
Deferred tax assets	17,858	25,993
Amounts due from related parties, non-current	6,180	6,049
Derivative financial instruments, non-current	1,780	1,138
Non-current assets	650,694	718,551
Current assets	1,032,190	1,258,310
Total assets	**1,682,884**	**1,976,861**
Current liabilities	807,765	942,164
Non-current liabilities	634,538	771,307
Total liabilities	**1,442,303**	**1,713,471**
Share capital and reserves	229,250	221,847
Non-controlling interests	11,331	41,543
Total equity and liabilities	**1,682,884**	**1,976,861**
Net current assets	**224,425**	**316,146**

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10. Statement of Cash Flows for the year ended 31 December 2016

	FY2016 $'000	FY2015 $'000
Net cash from operating activities	**28,689**	**47,525**
Net cash used in investing activities	**(7,766)**	**(14,743)**
Proceeds from sale of property, plant and equipment	236	580
Proceeds from disposal of unquoted equity investment	3	-
Proceeds from disposal of a subsidiary, net of cash disposed of	18,615	-
Repayment of short-term loan by joint venture	-	272
Dividends from associates	9,893	7,652
Purchase of property, plant and equipment	(34,941)	(22,371)
Purchase of intangible assets	(1,572)	(876)
Net cash used in financing activities	**(53,985)**	**(117,118)**
Interest paid	(6,988)	(10,414)
Repayment of short-term related party loans	(11,952)	(72,705)
Proceeds from short-term related party loans	581	46,752
Short-term loan to a related corporation	-	(20,000)
Repayment of short-term loan by a related corporation	-	20,000
Repayment of short-term immediate holding company loans	(32,000)	(65,500)
Proceeds from short-term immediate holding company loans	15,200	44,100
Repayment of long-term related party loans	(18,957)	(710)
Repayment of long-term immediate holding company loans	-	(50,000)
Repayment of short-term loans	(161)	(156)
Repayment of short-term bank loans	(10,287)	(30,802)
Proceeds from short-term bank loans	7,802	40,540
Proceeds of a short-term loan from non-controlling interest	-	1,615
Dividends paid to shareholder	-	(17,800)
Dividends paid to non-controlling interests	(2,009)	(3,403)
Payment to non-controlling interests for reduction in share capital	(1,178)	-
Capital contribution from non-controlling interests	-	50
Acquisition of non-controlling interests in a subsidiary	(167)	-
Deposits discharged	6,131	1,315
Net decrease in cash and cash equivalents	**(33,062)**	**(84,336)**
Cash and cash equivalents at beginning of year	193,357	276,750
Exchange difference on cash and cash equivalents	361	943
Cash and cash equivalents at end of year	**160,656**	**193,357**

11. Economic Value Added (EVA)

EVA for FY2016 was -$53.1 million, a decrease of $63.8 million or <-500% over FY2015. The weighted average cost of capital was 5.6% for 2016 (2015: 5.5%).

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